NATIONAL ASSOCIATION OF INVESTORS CORPORATION
NAIC
INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

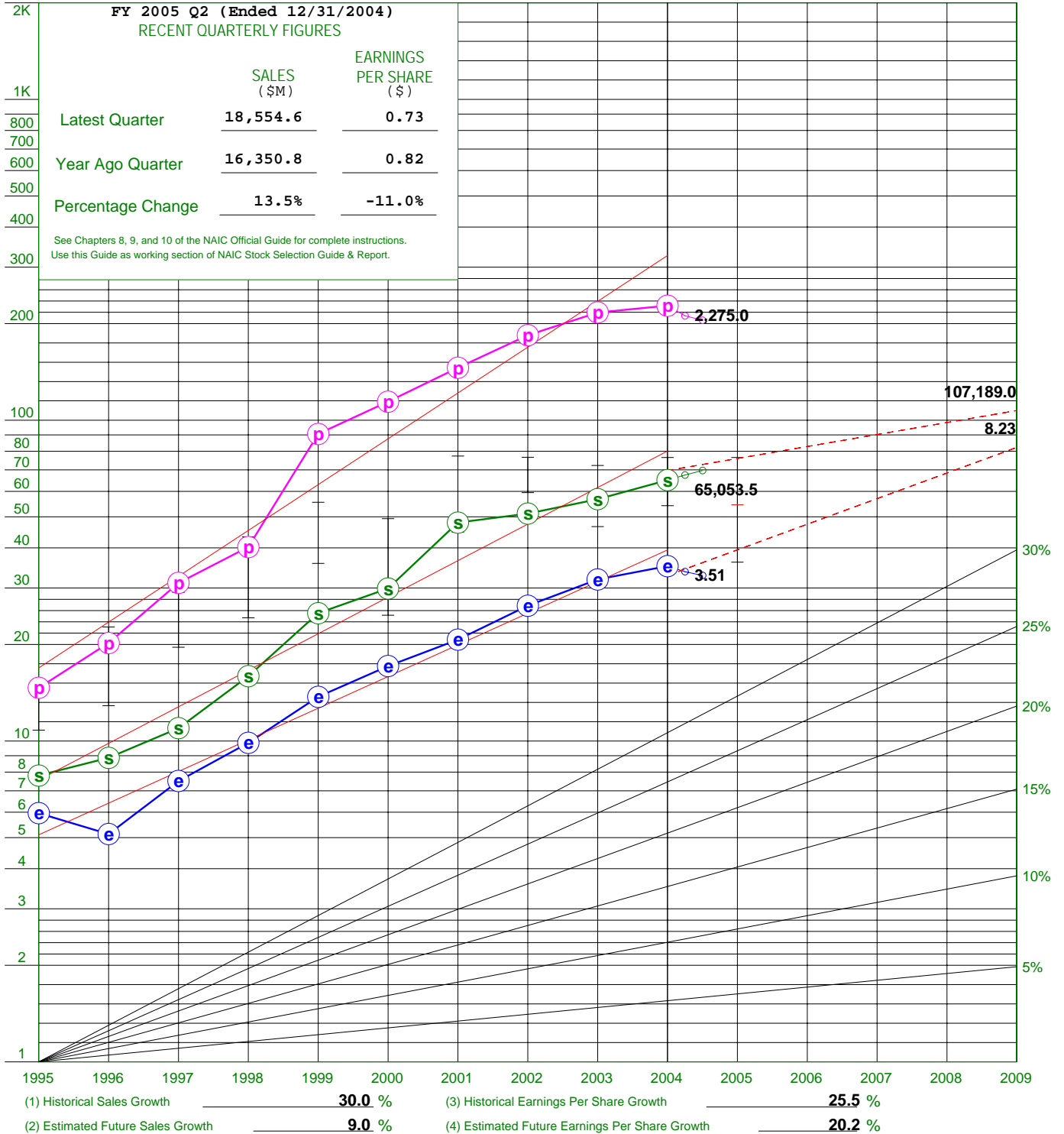# Stock Selection Guide ®

The most widely used aid to good investment judgment

Company	CARDINAL HEALTH INC	Date	04/22/05

Prepared by **jah**   Data taken from **NAIC Data**

Where traded **NYSE**   Major product/service **Health Care**

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred ($M)	0.0	% Insiders	% Institution
Common (M Shares)	433.0	0.0	0.0
Debt ($M)	2,820.0 % to Tot.Cap.	26.0 % Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

CAH

FY 2005 Q2 (Ended 12/31/2004)
RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	18,554.6	0.73
Year Ago Quarter	16,350.8	0.82
Percentage Change	13.5%	-11.0%

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.
Use this Guide as working section of NAIC Stock Selection Guide & Report.

2,275.0
107,189.0
8.23
65,053.5
3.51

(1) Historical Sales Growth	**30.0** %	(3) Historical Earnings Per Share Growth	**25.5** %
(2) Estimated Future Sales Growth	**9.0** %	(4) Estimated Future Earnings Per Share Growth	**20.2** %

Printed: 04/24/05 07:11 PM Prepared by: jah Using The NAIC Investor's Toolkit

2 EVALUATING MANAGEMENT

Company **CARDINAL HEALTH INC   (CAH)**   04/22/05

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	1.9	2.3	2.8	2.5	3.6	3.8	3.0	3.6	3.8	3.5	3.6	EVEN	EVEN
B	% Earned on Equity (E/S ÷ Book Value)	15.4	11.9	13.8	15.1	16.3	17.8	17.1	18.5	18.4	19.0	18.2	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE ___54.480___   HIGH THIS YEAR ___76.540___   LOW THIS YEAR ___36.080___

	Year	A PRICE HIGH	B PRICE LOW	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
1	2000	49.3	24.7	1.71	28.8	14.4	0.070	4.1	0.3
2	2001	77.3	44.8	2.07	37.4	21.6	0.085	4.1	0.2
3	2002	76.7	59.5	2.64	29.0	22.5	0.100	3.8	0.2
4	2003	72.3	46.6	3.19	22.7	14.6	0.105	3.3	0.2
5	2004	76.5	54.1	3.51	21.8	15.4	0.120	3.4	0.2
6	TOTAL		229.6		102.3	66.9		18.7	
7	AVERAGE		45.9		25.6	16.7		3.7	
8	AVERAGE PRICE EARNINGS RATIO 21.2			9 CURRENT PRICE EARNINGS RATIO			16.6		

Proj. P/E [13.82] Based on Next 4 qtr. EPS [3.94]   Current P/E Based on Last 4 qtr. EPS [3.28]

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ___25.6___ (3D7 as adj.)   X Estimate High Earnings/Share ___8.23___ = Forecast High Price $ ___210.7___ (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ___16.7___ (3E7 as adj.)   X Estimated Low Earnings/Share ~~3.51~~ 3.28 = $ ___54.8___

(b) Avg. Low Price of Last 5 Years = ___45.9___ (3B7)

(c) Recent Severe Market Low Price = ___36.1___

(d) Price Dividend Will Support   Present Divd. = 0.120 / High Yield (H) 0.003 = 42.3

Selected Estimate Low Price = $ ___45.9___ (4B1)

C ZONING

210.7 (4A1) High Forecast Price Minus 45.9 (4B1) Low Forecast Price Equals 164.8 (C) Range. 1/3 of Range = 41.2 (4CD)

(4C2) Lower 1/3 = (4B1) 45.9 to 87.1   (Buy)   Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 87.1 to 169.5   (Maybe)

(4C4) Upper 1/3 = 169.5 to 210.7 (4A1)   (Sell)

Present Market Price of 54.480 is in the **Buy** (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 210.7 Minus Present Price 54.480 = 156.2 / 8.6 = 18.2 (4D) To 1

Present Price 54.480 Minus Low Price (4B1) 45.9

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 210.7 / Present Market Price 54.480 = (3.867) X 100 = (386.7) - 100 = 286.7 (4E) % Appreciation

Relative Value: 78.3%   Proj. Relative Value: 65.2%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend $ 0.120 / Present Price of Stock $ 54.480 = 0.002 X 100 = 0.2 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 5.69 X Avg. % Payout (3G7) 3.7 = 21.1 = 0.4 (5B) %

Present Price $ 54.480

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 286.7 / 5 = 57.3 %

Average Yield (5B) = 0.4 %

Average Total Annual Return Over the Next 5 Years (5C) = 57.7 %

	P.A.R.	Tot. Ret.
Average Yield	0.2%	0.1%
Annual Appreciation	26.2%	31.1%
% Compd Ann Rate of Ret	26.3%	31.2%